

Message Text

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PAGE 01 LIMA 07104 052103Z

63

ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 NSC-05 SP-02 CIAE-00 INR-07

NSAE-00 L-03 EB-07 TRSE-00 PRS-01 CIEP-01 CEA-01

OMB-01 USIE-00 INRE-00 NSCE-00 SSO-00 /054 W

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 1285

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FOR: T - UNDER SECRETARY MAW; S/P - DR. EINAUDI; ARA -
ASSISTANT SECRETARY SHLAUDEMAN; L/ARA - MR. KKOZAK;
TREASURY - MR. MARESCA

EO 11652: NA

TAGS: EINV, EMIN, EFIN, PE

SUBJECT: SPCC - TAX CASE - COMPANY AND GOP SIGN AGREEMENT IN
PRINCIPLE

REF: LIMA 6193, LIMA 7007

1. SPCC PRESIDENT FRANK ARCHIBALD AND REPRESENTATIVE BRYAN WHITE INFORMED ACTING DCM AND CHIEF ECON SECTION AUGUST 5 THAT SPCC AND GOP HAD SIGNED AGREEMENT IN PRINCIPLE WHICH THESE COMPANY REPS VIEWED AS SATISFACTORY SOLUTION TO OUTSTANDING TOQUEPALA TAX CASE. THE PAYMENT OF SPCC TAX LIABILITY WILL BE IN DOLLARS AND WILL STRETCH OVER A TEN-YEAR PERIOD WITH INTEREST AT ANNUAL RATE OF 2.5 PERCENT ABOVE GOING LONDON INTER-BANK (LIBO) RATE. WHITE INDICATED THAT UNDER THIS SCHEDULE, SPCC WOULD BE PAYING OUT ABOUT \$40 MILLION. BOTH SIDES WILL NOW CONCENTRATE ON PREPARING LEGAL DOCUMENTS TO FORMALIZE THIS AGREEMENT IN PRINCIPLE.

2. COMMENT: A KEY ELEMENT OF THE AGREEMENT IN PRINCIPLE IS INTEREST RATE BEING CHARGED SPCC, WHICH COMPANY
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PAGE 02 LIMA 07104 052103Z

REPRESENTATIVES HAVE INDICATED IS VERY CLOSE TO CURRENT

RATES SPCC HAS TO PAY FOR ITS LOANS FROM COMMERCIAL
BANKS. IN ORDER TO ENTER INTO SPECIFIC TERMS OF THIS
AGREEMENT, GOP HAD TO ENACT NEW DECREE LAW (DECRETO
LEY NO. 21573 OF AUGUST 3, 1976) WHICH SETS ANNUAL
INTEREST RATES FOR LATE AND/OR DEFERRED PAYMENTS
FOR TAX LIABILITIES OWED IN FOREIGN EXCHANGE AT THE LIBO RATE
PLUS 2.5 PERCENT. THIS METHOD CONTRASTS VERY FAVORABLY WITH THE
PREVIOUS SYSTEM IN WHICH DEBTORS HAD TO PAY INTERST AT A
1.5 PERCENT PER MONTH RATE. WHILE THE NEW DECREE LAW
IS GENERAL IN NATURE AND MAY BE APPLIED TO SIMILAR CASES
IN THE FUTURE, IT IS QUITE OBVIOUS TO PEOPLE FAMILIAR
WITH THE SPCC CASE THAT THE LAW WAS SPECIFICALLY
ENACTED TO ENABLE THE TOP TO REACH A SETTELEMENT IN THIS CASE
AT AN EARLY DATE.
SMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, TAXES
Control Number: n/a
Copy: SINGLE
Draft Date: 05 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LIMA07104
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760302-0735
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760884/aaaacvxj.tel
Line Count: 76
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LIMA 6193, 76 LIMA 7007
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 19 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 MAY 2004 by buchant0>; APPROVED <08 SEP 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SPCC - TAX CASE - COMPANY AND GOP SIGN AGREEMENT IN PRINCIPLE
TAGS: EINV, EMIN, EFIN, PE, US, SPCC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006